Business Case

Project Name: Financial Management System

Channel: CFO

Project Sponsor:

Project Lead:

Project Description

Introduction
This document describes the business case for the Student Financial Assistance (SFA) Financial Management System (FMS) initiative. The SFA FMS consists of four Phases designed to establish incremental benefit, mitigate risk and satisfy JFMIP, PBO and Blueprint requirements. While the SFA FMS will be described in its entirety, the cost section of this document will encompass only the expected outlays for FY 2001.

Describe the need for change (the business problem to be addressed).
The Higher Education Act as Amended in 1998 created a Performance Based Organization (PBO) for student financial assistance within the Department of Education (ED). One of the three interim objectives of the PBO is to reduce the overall cost of delivering student aid. An indicator of success and a method of measuring this objective is the design of a subsidiary-style financial management system that supports OSFA; is JFMIP compliant; is appropriately integrated with the Department's financial management system; and is at a level that is consistent with the OSFA Modernization Blueprint (as of March 30, 2000).

The Office of Student Financial Assistance (SFA) "Modernization Blueprint" describes the business requirements, business and technical architecture, and sequencing plan that SFA will use to transform SFA over 2 to 3 years using leading edge technology. These elements provide the focus, framework, and actions to make the SFA vision a reality. The Blueprint provides a high-level overview of a shared vision and plans for moving the financial aid system into the 21st century.

What is the purpose of the initiative?
A key business requirement of the financial management function within the modernization document is an integrated financial management system that manages the flow of financial information across all of SFA's information systems. In order to perform new PBO specific financial management functions mandated by Federal legislature, SFA will need its own "best in business" integrated financial management system.

Conceptually, the SFA FMS will incorporate Financial Management users, systems, data and processes into an integrated financial management framework. These framework will provide accurate and timely information to be utilized across all SFA channels and stakeholders.

A consolidated financial management system for SFA will provide the ability to report financial data and compile statistics across Programs and appropriations, consolidate redundant processes, and report to Congress and other outside organizations summary and detailed accounting on SFA grant, loan, and operational (administrative) activity.

In order to overcome some of the inherent complexities and dependencies, both systems and organizational, the SFA Organization has established a Phased approach for implementing its new Financial Management System. Each phase

will establish additional incremental benefit; will be built on prior phase success and will move SFA towards its shared FMS vision.

What is the scope of the initiative?
Overall, SFA takes the approach that the SFA FMS will be implemented in Phases. This Phasing approach will enable SFA to achieve measurable success in short, manageable amounts of time. Also, implementing FMS in phases mitigates risk by approaching each development task in the same short, manageable time segment with definable and controllable milestones. The proposed timeline for the Phases is depicted below.

Phase I

Phase I was completed on March 31, 2000. During this phase, SFA developed a design of the completed FMS and defined many of the core configuration values for FMS. This phase demonstrated the Oracle application as delivered without program changes, but with the core SFA configuration and setup data input.

Phase II

Phase II is scheduled to begin on April 1, 2000 and to be completed by September 30, 2000. The goal of this phase of the SFA FMS effort is to install and configure the Oracle Federal Financials packaged software product at the Virtual Data Center (VDC), which will be the basis for SFA FMS operation. The purpose of Phase II is to quickly establish the General Ledger chart of accounts setup and account code classification structure. This is necessary to verify the conceptual design and provide the foundation for moving forward with the detailed design and build of the system. Phase II includes Fixed Asset management for SFA plus core accounting (General Ledger, Accounts Receivable, Accounts Payable) for 2 programs:

- FFEL – GA Payments
- LLEAP

This phase will quickly demonstrate the value of FMS (i.e. a quick hit) by supporting these three subsystems. These programs were chosen because they are relatively small, self-contained subsystems with low volume transactions that could be implemented with minimal disruption to current processes and demonstrate the full value of the FMS financial applications (General Ledger, Accounts Payable, Accounts Receivable, and Fixed Assets).

Phase III

Phase III is scheduled to commence on June 1, 2000 and be implemented into production on September 30, 2001. This phase will incorporate core accounting (GL, AP, AR, FA) for SFA operations and each of the remaining SFA programs, (DL, Campus Based, and Pell) all inclusive. In addition, it will include the full integration of SFA FMS with the Department's financial management system. Release 3 will enable SFA to be audited as an independent organization beginning with FY02.

During the period between June 1, 2000 and September 30, 2001 the channels will be working concurrently on efforts to reengineer or replace most legacy systems. In order to create a fully operational SFA FMS by this timeframe, it is assumed that where legacy systems exist (e.g. not reengineered) they will be interfaced into SFA FMS, while reengineered systems will be directly integrated into the SFA FMS. Phase III is dependent on other Integrated Project Team (IPT) initiatives and the FMS schedule will be coordinated with other system's schedules to include as many reengineered or replaced systems as possible.

Phase IV

Phase IV, referred to as the "to-be" SFA FMS phase, encompasses an integrated design incorporating information and processes from all SFA reengineered subsystems (e.g. Origination and Disbursement, Servicing, and Collections) and SFA operations. It is scheduled to begin on October 1, 2001. Phase IV will be a fully functional and integrated SFA FMS and will reflect the "end-state" of the SFA FMS project. At this point the SFA FMS will mature into an operational system and future efforts will be focused on incorporating additional functionality.

Phase IV is defined as the SFA FMS subsystem in its fully integrated state. This phase will consist of on-going upgrades to the SFA FMS to incorporate changes to source systems as they are re-engineered. At this point in the implementation life cycle, the SFA FMS implementation will fully integrate with reengineered source systems to create a fully operational SFA FMS which includes all major functions (defined further below) supporting both Programs and SFA Operations activities. Since reengineered system information is not available at this time, the work to this point has primarily included defining the SFA FMS system requirements which must be met in order to support a fully integrated SFA FMS system. Phase IV is much more dependent on other IPT initiatives that the earlier phases.

What is the general life-span of the initiative and what's being proposed for FY01?
The life-span of the SFA FMS initiative will be from FY99 through FY02. During FY2001, Phase III will be fully implemented.

What other business areas/external groups are affected by the implementation of this initiative and how are they affected?
Interfaces to FMS will be built to exchange information between SFA FMS and other subsystems. There will be a small component of this involved in Phase II (ED/FMSS; however, the majority of this effort will be contained in Phase III. There may be minimal changes to business processes as a result of SFA FMS Phase II implementation. Since there are many initiatives currently underway to reengineer supporting subsystems, it is difficult to identify exactly which external systems, functionality, and processes will be affected in Phase IV.

Technologies Used

Describe the proposed technologies that will be used to implement this project

Name /Type	Proposed Use	Has Technology been used at SFA before? Where?	Does Technology fit SFA's Architecture Standard? Explain.	Does SFA have the technical expertise to implement this technology? Why?
Oracle Federal Financials	SFA Financial Management	No – Phase II (proof of concept)	Yes - - Modernization Blueprint (pg. 8 in 4/00 version) - Capability Release Plan	Yes, with contractor support. In-house support can be developed over time
Enterprise Application Interface (EAI) Platforms and Tools	Enterprise - level system application integration, messaging, data formatting and transformation, and	No	Yes - - Modernization Blueprint - Capability Release Plan	Yes, with contractor support. In-house support can be developed over time

	workflow			

<u>Benefits</u>

Describe why SFA is doing the initiative:
- **What are the initiative's performance objectives or expected outcomes?**
- **How does the initiative support the goals and objectives of SFA?**
    - **Reduced Unit Cost**
    - **Customer Satisfaction**
    - **Employee Satisfaction**
- **Approximately when will these benefits be realized?**
- **Estimated overall dollar amount of all benefits listed above (identify any assumptions used)**

Qualified Benefit	How will benefit be measured/realized?	When will benefit be realized?
Supports Performance Based Organization (PBO) objectives of Cost Reduction, Employee Satisfaction, and Customer Satisfaction	Reduce the overall unit cost of Delivering Student Aid: - Provide effective funds management and budget controls - Provide sufficient level of data for strategic decision making - Provide cost and performance-based information	FY2002
	Improve Employee Satisfaction: - Provide timely information retrieval and reporting to meet business needs - Enable employees to make accurate decisions with complete and timely information - Provide employees with better tools and training which will increase their accuracy and efficiency by reducing manual, paper-based work efforts	As phases of FMS projects are rolled out and the system becomes operational.
	Improve Customer Service: - Improve response time to financial information by providing a single source of current, on-line, accurate data - Provide access to program data	FY2002
SFA FMS will be JFMIP Compliant	Improved ability to answer Congressional inquires into the status of funds and queries regarding compliance of JFMIP.	FY2002

Establish the ability to Reconcile SFA financial Statements, determine institution level activity	Provide a fully integrated SFA FMS that serves all SFA Program areas. Provide support for financial statement audits and the SFA and department of education level Provide ability to prepare financial statements independently.	FY2002
Budgetary Control – serve as a core system for control and management purposes	Produce accurate financial results to the SFA community, SFA managers, Education's Office of Chief Financial Officer (OCFO), ED Office of the Under Secretary and Education staff and community	FY2002
Contracts savings/cost reduction will be increased	Measured in the realization of benefits vs. maintenance of existing contracts for SFA systems Reduced time to perform FMS accounting functions Reduced number of personnel to support FMS processes	Upon completion of each phase of the project.
Ease of Use and Automated Processes - Increased automated electronic exchange of information between SFA and customers and financial partners. This results in increased employee and customer satisfaction.	Manual processing and paperwork will be significantly reduced, lowering costs and the number of resources required to process financial information	As phase of FMS projects are rolled out and the system becomes operational.
SFA will be single, centralized, integrated Financial Management System utilizing a COTS (Oracle Federal Financials) application and incorporate consistent functionality across all program areas.	SFA will provide employees, customers and partners a single source of accessing timely, accurate and consistent financial data.	FY2002

Assumptions

1. Cost savings will be increased by maximizing the use of Oracle Federal Financials built-in best practices and minimizing custom modifications to the system. The FMT team is committed to using as much "out-of-the-box" functionality as possible. Limiting customizations significantly reduces project costs associated with Development, Testing, Deployment and on-going Maintenance/Upgrades.

2. The following start and end dates are assumed
   - Phase III - SFA FMS "Full Load" June 1, 2000 - September 30, 2001
   - Phase IV - "To Be" June 4, 2001 – Sept 30, 2002

3. The estimated costs cover the period from the start date through September 30, 2001

4. All programs and operations will be implemented as part of phase III:

5. The following Oracle Applications modules and tools will be implemented for Phase III:
   - Oracle Federal General Ledger
   - Oracle Federal Payables
   - Oracle Federal Receivables
   - Oracle Fixed Assets
   - Oracle Purchasing
   - Oracle Discoverer
   - Oracle Financial Analyzer

6. The development environment at the Virtual Data Center will be ready by 4/17/00 and a production environment will be ready by 8/01/00

7. SFA resources will be available as needed

8. SFA funding and approval will be received within the projected timeframes

9. Other systems interfaced such as NSLDS, ED/CFO, Forms 2000, and Treasury provide the necessary technical information and access as required for interface testing during the required timeframes

10. Data conversion will include beginning balances only

Costs

Provide estimated costs, including those to implement the initiative and the costs to support it over its useful life.

CFO Channel *FY '01 Proposed Modernization Projects*	Total Projected Costs
Financial Management System	$5,204,000
Financial Statements Reasonability to NSLSD data	$200,200
TOTALS:	**$5,404,000**

Total Cost of Ownership
In order to drive the total cost of ownership of the SFA FMS, SFA must investigate the future costs associated with systems implementation and maintenance. Given the fact that Oracle Applications is a COTS product, it will be subject to maintenance and upgrade efforts after implementation. However, the total cost of project development is shared across all Oracle customers and is therefore minimal (as compared to custom development efforts). The standard maintenance of Oracle Applications would include:

- Backup and Recovery
- Operational support (phone, email, etc.)
- Application Patches
- Application Upgrades

The staff requirements and frequency of these efforts will be determined by SFA and its customers.

Risks

Describe any general risks associated with this initiative. For example:
- **What are the consequences of not doing this initiative?**
- **What are potential risks in pursuing this initiative, e.g.:**

Risk	Description of Risk	Mitigation Strategy
Financial	Contractual agreements are not signed by due dates	Make certain that contractors have a clear scope and a well defined project plan
Technology	SFA technical infrastructure does not support satisfactory performance of the Oracle application	Conduct technology product test early enough to allow extensive corrective actions if needed.
Scope	Try to solve all problems at once	Maintain focus on one phase at a time

Management	Decisions made on outdated information results in bad management decisions.	Based executive decisions and direction on up-to-date information, soliciting opinions from across the organization.

Acquisition Strategy

Describe, if known, how the systems and capabilities proposed in this initiative will be procured:

Sources (prospective sources of supplies or services— i.e., likely offerors, manufacturers based on prospective solutions, ex: PeopleSoft)

Oracle application
- VDC to procure HP platform
- MicroStrategies to provide data warehouse/data port application

Competition (describe, if known, how competition will be sought, promoted, and sustained throughout the course of the acquisition, including any performance requirements that will be required).

Competitive process already conducted to select Oracle application

Contract Considerations (discuss, if known, any contract type selection, use of multiyear contracting, options, or other special contracting methods, ex: performance-based).